

SOCIAL AND CULTURAL CONSIDERATIONS FOR INTERNATIONAL OPERATIONS

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Abstract: This paper provides an overview of factors that should be considered when developing international operations strategies and, in particular, the human resources needed to support such operations. The paper will consider how models of national culture, which identify the sources of difference, can shed light on effective practice. Thus national characteristics and culture will be explored as explanatory factors, and empirical evidence will be used to illustrate these points. The paper will finally explore the implications of people from different backgrounds and cultures working together, as happens for example in the subsidiaries of multinational corporations, in joint ventures and other strategic alliances, and in the programmes of technology transfer these invoke.

Cultural Aspects of Operations Management

The operations manager, like any other manager, has to manage conflicts within the organization, but these conflicts are heightened in the management of international operations due to the different national cultures of the workforce. Managers therefore require an understanding of the consequences of cultural differences in language, religion, value systems, customs and education in the cross-cultural organizations within which they are working. Cultural factors are the least tangible but in some ways the most important of the factors which international business must take into account. Culture is defined by Czinkota *et al.* (1996) as "an integrated system of learned behaviour patterns that are characteristic of the members of any given society" (p.298). Thus culture can be seen as being made up of a number of elements: language; religion; values and attitudes; manners and customs; material elements; aesthetics;

education; and social institutions. These elements, and variations in them from one nation or region to another, can also be viewed as the sources of cultural differences and conflict. This has obvious implications both in the transfer of technology from one country to another, but also in the day to day operations of the factory.

So, how can managers gain a greater understanding of the causes and consequences of cultural differences? The answer is that there is no simple answer! Classroom and private study may create a basic awareness of cultures and their differences, but there is no substitute for actually visiting the regions within which one's company operates and experiencing at first hand the prevailing culture. Research indeed suggests that international business managers place emphasis and great importance on business travel and assignments overseas in order to assimilate in their own minds the cultural differences in different parts of the world.

A number of models have been developed in order to explain differences in behaviour between cultures. One of these is the model developed by Sheth and Sethi (1977) which has been developed on the premise that international business activity should be seen as innovation and producing change within the organization, both in the parent organization, the host country operations and in the people within the organization. It sees this change as determined by three factors: the *dominant cultural lifestyle* of individuals in the organization; *change agents and strategic opinion leaders*, both institutions and individuals; and *communication of innovation* whether this is from commercial organizations, government or social interactions. Hofstede (1984) also explored the differences in culture and identified four dimensions of culture: *power distance*; *uncertainty avoidance*; *individualism* and *masculinity*.

The Influence of Culture on Management Practices

Comparative international studies of management normally fall back on culture as the main explanation for differences in practices and styles. In an attempt to understand and explore these differences, scholars have attempted to develop clusters of countries on the basis of culture (values and beliefs). The seminal work in this field is that of Hofstede (1984) who studied the cultural consequences for the practice of management around the world.

Hofstede defines culture as the collective mental programming of people in an environment. This definition is based upon the premise that people in a culture are conditioned by the same education and life experience. He argues that differences in employee motivation, management

style and organization structures throughout the world can be attributed to different mental conditioning around the world.

Hofstede used the four variables we identified above in his research :

- *Power distance*: The degree to which individuals within a society accept differences in the distribution of power as reasonable and normal (i.e. the extent to which an unequal distribution of power in society is accepted as legitimate).
- *Uncertainty avoidance*: The extent to which members of a society feel uncomfortable with and try to avoid situations that they perceive as unstructured, unclear or unpredictable (i.e. the degree to which society is threatened by uncertain situations).
- *Individualism-collectivism*: The extent to which individuals concern themselves with their own interests and those of their immediate families as opposed to the interests of a larger group (i.e. the loose- or tight-knit nature of society).
- *Masculinity-femininity*: The extent to which a society emphasizes traditional male values such as assertiveness, competitiveness and material success rather than traditional female values such as passivity, cooperation and feelings (i.e. dominance and submission).

On the basis of the above Hofstede set about identifying different clusters and then analysing the findings to provide lessons for international business managers. Hofstede's framework enables us to identify variations in the cultural environments in the different parts of the world for a firm's international manufacturing operations, and to analyse the implications of these differences for the manager. Despite the importance and implications of cultural differences, it is an area which is frequently misunderstood, even ignored, and therefore often presents problems for the international manager. It is important that an international business recognizes and manages the relationship between culture and competitive success. Firstly the relationship suggests that some countries and cultures are more likely to produce viable international competitors. Secondly, and as a consequence, the relationship between culture and competitive success has implications for location and marketing decisions in international business.

Managing Human Resources in International Firms

We can view human resource management considerations in terms of both structures and processes within the firm. We can say that HRM is obviously more complex for an internationally-operating than for a domestic business for the reasons highlighted above. A domestic company usually only employs nationals of its own country in managerial positions, whereas international operations have three different sources of management personnel: *home* country nationals, *host* country nationals and *third* country nationals. In addition to managers a firm also has other employees. For the international firm these other employees are usually natives of the host country. Thus, an international operation may bring together persons from a variety of cultural backgrounds to work together in one organization. One of the reasons for assigning home country or third country nationals to managerial positions in a foreign subsidiary may be the inadequacy of the managerial skills of host country nationals. Another reason may be the ethnocentric attitude of the headquarters personnel; that is, their preference for people of their own culture in key positions in a foreign subsidiary.

A further difference between a domestic firm and an international operation is that the subsidiaries of the business are physically more dispersed and distant from their headquarters than are the subsidiaries of a domestic firm. As a result, operations managers in foreign locations have to make quick on-site decisions without the benefit of consulting with headquarters executives. Here, the effective functional policies as guides to action are very important. If the “right” people (executives) are provided with “proper” guidance (policies) from the headquarters, they will be better able to respond to the demands from the local environment through effective decision making. Due to greater variations in environmental conditions and factors, international operations executives face a more complex set of problems than their domestic country counterparts. These problems include their own unfamiliarity with the local culture and the changing economic and political relations between the home and the host countries.

Nationality, Identity and Culture

As we noted previously, national and cultural backgrounds and the social environment within which business takes place are particularly important considerations for the international operations manager. This brings into play the issue of *identity*, the question of whether an individual in an organization identifies with their nationality, the company norms, their religious or

social norms, etc. The national backgrounds of executives are important because of the implications for the host country and the international operation. When we mix executives and employees from a variety of cultural and national backgrounds, then we must start questioning the effectiveness and the universality of management principles and theories.

There are questions of how the international business should:

- Plan, organize and control the work that is done by people of different nationalities;
- Manage, motivate, communicate with, and lead the people in the organization;
- Select, train, and compensate its employees;
- Evaluate the performance of employees; and
- Handle labour relations, unionisation and collective bargaining.

In most international operations the nationality mix of managers varies at different levels of the organizational hierarchy. Usually the top levels of the hierarchy are staffed by *home* country nationals, especially the chief executive officer (CEO) and the chief financial officer (CFO). The main reason behind this practice is the international operation's desire to control the operations of foreign subsidiaries more closely. This practice also makes it easier for the top executives of an international firm to communicate with and manage the executives of the subsidiary. At this point the principles and theories of management are universal. We know how to manage these people, and the consequences of our behaviour, that is whether our managing and leadership stars are effective or not, are known. However, employment of expatriates causes many problems for the individual assigned to the job, such as the stresses of adapting to a foreign culture, stresses on family life, changes in the career plans, and so forth. This is mainly the failure of the individual to do the assignment, but when the reason for failure is overcome there are a number of benefits for the firm using expatriates:

Control: the company needs to be represented, at least symbolically, in the subsidiary by home nation expatriates.

Trust: the firm may have more trust in a manager from the home nation because host nation nationals may have a conflict between their interests and the company's interests.

Staffing: the firm may need to fill a position for which there is a shortage of local talent.

Management development: by assigning home country executives to foreign subsidiaries, the company provides a valuable international experience to these managers.

Organizational development: every corporation has an organizational culture independent of its home and host countries. By transferring managers around the world, a firm can socialise locals into the company culture.

Socialization and Expatriatism

The selection and training procedure is an important determinant of the success of expatriate managers when they arrive in the foreign country. Mendenhall and Oddou (1985) report a 40% failure rate for expatriates on their assignments. Such a high failure rate questions whether firms are approaching the problem of selection and socialization too narrowly: they seem prone to select managers who are successful in their domestic operations, but then assign them to foreign assignments with little regard to the complex issues involved in switching cultures. The selecting, training and assigning of expatriates must be considered as part of a broader concept of expatriate development and the socialisation process. If firms use such an integrated approach to the international placement of its managers, then the high failure rate of expatriates may decline.

One major problem in the selection process is determining what criteria should be used to evaluate the success of an international manager: it is not always clear what constitutes "success" on an international management assignment. Like many other concepts we study in international management, success (or effectiveness) is multi-dimensional and situation dependent. Thus, in the selection procedure for international managers, as many as these dimensions as possible should be considered. In exploring expatriate assignments, management researchers have largely focused on identifying reasons for failure. The research has proliferated lists of personal characteristics that might contribute to success. Let us therefore look at the issues of failure, success and training for expatriate managers.

Expatriate Failure

The most apparent cause for failure is that the effect of the new environment on expatriate performance is usually ignored. Most frequently the reason for expatriate failure is related to behaviour and adjustment. Beside job related problems, the major problems which act as causes of expatriate failure are *adjustment-related*, *family-related*, *culture-related*, and *personality-related*. Adjustment-related problems are due to a number of factors. These, and the way in which they might be overcome, are as follows:

Self-oriented: Expatriates should try to enjoy local entertainment and leisure time activities. They should try to cope with stress and to build technical and managerial competence.

Others-oriented: Expatriates should develop local relationships and a social network. They should be willing to communicate with local people.

Perceptual: Expatriates should be able to see and understand the reasons for local behaviour and their own behaviour.

Cultural toughness: Expatriates should see and accept the extent of the differences between the home and the host countries.

In relation to family-related problems, the involvement of the expatriate spouse is very important in all phases of the socialisation process. Living abroad may bring the family together or pull it apart. Both outcomes have significant effects on the expatriate's job performance. We should not forget that there may be more stress on the spouse and their children than on the expatriate. The expatriate has the support of fellow nationals at work. The family may feel isolated and depend totally on the expatriate for care and comfort. Culture-related problems stem from a lack of understanding not only of the new, but also the expatriate own cultural setting. Effective foreign assignments will not be possible until the expatriate understands the principles of their own culture: only then can a person understand and cope with another culture. Culture shock and reverse culture shock are the main problems faced by expatriates in the early days of their transfers and returns. Suggestions on how to cope with culture shock depend on the individual's situation and the degree to which the home and host cultures differ. Some suggestions for coping with culture shock include having a hobby or interest, having a local mentor, strengthening family relations, undertaking language training and being open minded. Finally personality-related problems can be overcome by training expatriates although the effectiveness of this training may be limited. A better solution is to select an expatriate manager who has already demonstrated sensitivity to towards others.

Expatriate Success

Studies of expatriate success have generally focused on generating lists of personal characteristics that contribute to success. The list includes the following characteristics of technical and managerial skills, inter-personal skills, personality traits, cultural abilities, family

considerations, language abilities, and the gender of the expatriate. Research, however, has cast doubt on the importance of such characteristics. For example, previous studies have maintained that males are more successful as expatriates than females, but the validity of this finding is questionable. After all, data shows that less than 3% of all expatriate managers have been females and it has been suggested, therefore, that companies should reconsider their current reluctance to send women managers abroad. However, care should be taken because there is a cultural bias against women as authority figures in certain cultural areas. The assignment of female managers to certain areas of the world may prove detrimental to their success. Careful consideration should be given to the cultural acceptance to women managers in each culture. This is particularly true in regard to the cultures of Japan and some cultures in the Middle East.

Expatriate Training

Training an expatriate is important and necessary not only before, but also during and after their deployment abroad. We can differentiate among three types of expatriate training programmes: *pre-departure training*, *on-site orientation*, and *repatriation programmes*. Pre-departure training prepare the expatriate for an assignment. Firms range in their pre-departure training from those who have no programmes (a "sink or swim" approach) to those having extensive and comprehensive programmes. Japanese firms have more comprehensive expatriate training programmes than their Western counterparts and research evidence shows, not surprisingly, that they have fewer expatriate failures. Pre-departure expectations are important antecedents to adjustment after arrival. As knowledge about the new culture increases, the extent of the expatriate family's culture shock decreases. Most pre-departure training programmes include technical and managerial training, cultural training, and language training. All pre-departure programmes should be planned to aid in an understanding of environmental differences between the home and host countries.

On-site orientation, the support for which should come from both the firm's headquarters and from local mentors, is crucial to an expatriate success. It has been suggested that there should be several months of coaching from the manager who the expatriate will replace. Repatriation programmes are aimed at reducing reverse culture shock and furthering the career plans of the expatriate. The return of the expatriate can be problematic both for the individual and for the organization that was finding a new place for this person. Properly integrating returning expatriates will help to retain capable managers and ensure qualified managers for positions abroad. Many expatriate decisions and behaviours are affected by their expectations about their return home. Much of this burden in planning and implementing repatriation programmes can be transferred from human resource departments to assigned mentors for each expatriate at the headquarters. The above argument suggests that at least two mentors are needed: one in the host country to help in the adjustment process of the expatriate while he or she is overseas, and another at home to help reduce the reverse culture shock and ease the repatriation process.

Conclusion

Managers of international operations need to pay close attention to designing organizational processes and structures that fit the requirements of its international business strategy. The implementation of an international operations strategy and the effective running of operations requires the effective recruitment, selection, assignment, and training of people, the human

resources. Managing human resources at the international level is a complex issue. Managers in various countries and cultures may achieve the same given objectives through various approaches. There are differences in managerial styles around the world and these differences are mainly attributed to cultural differences. As we have explained, socio-cultural factors are considered as the most important of the influencing variables. In this paper we have considered the implications of these national and cultural imperatives upon the process of managing people. In particular we have concerned ourselves with factors surrounding the expatriation and socialization of home or third country managers (themselves, international business managers). There are no simple answers or guidelines, but awareness of these issues and potential problems for the individual and organization as a whole is critical in ensuring successful assignments of foreign nationals abroad.

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Author Biosketch

Paul Forrester is Senior Lecturer in Operations Management at Aston Business School in Birmingham. This paper is based upon research exploring the management of international

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